

**REPORT OF THE AUDIT OF THE
CRITTENDEN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CRITTENDEN COUNTY SHERIFF

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the Crittenden County Sheriff's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$4,791 from the prior year, resulting in excess fees of \$31,065 as of December 31, 2008. Revenues increased by \$10,385 from the prior year and expenditures increased by \$5,594.

Report Comments:

- The Sheriff Should Strengthen Internal Controls Over Financial Reporting
- The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Fred Brown, Crittenden County Judge/Executive
The Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Crittenden County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2009 on our consideration of the Crittenden County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Fred Brown, Crittenden County Judge/Executive
The Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Strengthen Internal Controls Over Financial Reporting
- The Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Crittenden County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

October 15, 2009

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

State Fees For Services:

Finance and Administration Cabinet	\$ 3,668	
Sheriff's Security Fees	<u>5,785</u>	\$ 9,453

Circuit Court Clerk:

Fines and Fees Collected		12,574
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Fiscal Court		9,560
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County Clerk - Delinquent Taxes		775
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Commission On Taxes Collected		104,666
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Fees Collected For Services:

Auto Inspections	2,890	
Accident and Police Reports	852	
Serving Papers	18,410	
Arrest Fees	620	
Carrying Concealed Deadly Weapon Permits	<u>2,009</u>	24,781

Other:

Advertising Cost and Sheriff's Fees	14,896	
Miscellaneous	<u>2,988</u>	17,884

Interest Earned		473
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Borrowed Money:

State Advancement		<u>43,332</u>
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Total Revenues		223,498
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The accompanying notes are an integral part of this financial statement.

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2008
(Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	53,280
Part-Time Salaries		1,935
Overtime		1,021

Contracted Services-

Advertising		1,110
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Materials and Supplies-

Office Materials and Supplies		1,612
Uniforms		336

Other Charges-

Dues		340
Postage		596
Cell Phones		2,969
Carrying Concealed Deadly Weapon Permits		820
Computer Expenses		2,100
Bond		421
Miscellaneous		750

Capital Outlay-

Office Equipment	553	\$	67,843
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Debt Service:

State Advancement	43,332
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Total Expenditures	\$	111,175
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Net Revenues	112,323
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Less: Statutory Maximum	68,733	
Less: Training Incentive Benefit	3,525	72,258

Excess Fees Due County for 2008	40,065
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Payments to Fiscal Court - Various	31,128
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Balance Due Fiscal Court at Completion of Audit	\$	8,937
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The accompanying notes are an integral part of this financial statement.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Crittenden County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Crittenden County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 4. Drug Fund

The office of the Crittenden County Sheriff maintains a Drug Fund. Receipts result from the forfeiture of money, forfeiture of property, and court ordered payments from individuals. The funds are spent for supplies, equipment, vehicles, and drug awareness programs. The Drug Fund's balance as of January 1, 2008 was \$9,783. Receipts totaled \$1,795 and expenditures totaled \$5,880 for the calendar year 2008. The balance at December 31, 2008 totaled \$5,698.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Fred Brown, Crittenden County Judge/Executive
The Honorable Wayne Agent, Crittenden County Sheriff
Members of the Crittenden County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Crittenden County Sheriff for the year ended December 31, 2008, and have issued our report thereon dated October 15, 2009. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Crittenden County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The Sheriff Should Strengthen Internal Controls Over Financial Reporting
- The Sheriff's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Crittenden County Sheriff's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Crittenden County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

October 15, 2009

COMMENTS AND RECOMMENDATIONS

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2008

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

The Sheriff Should Strengthen Internal Controls Over Financial Reporting

The Crittenden County Sheriff's books for calendar year 2008 were materially misstated. The misstatements noted were primarily due to revenues that were deposited in the Sheriff's fee account but never posted to the receipts ledger. These unrecorded revenues included interest earned on the Sheriff's fee account and tax commissions refunded from the school. We also noted daily checkout sheets that did not agree with the batched total of daily receipts. As a result, audit adjustments had to be made in order to accurately reflect revenues and expenditures for the calendar year.

Strong internal controls over the recording of receipts and disbursements are essential to ensure that receipts and disbursements journals are properly maintained and that the correct amount of excess fees is turned over to fiscal court. The Sheriff, as an elected official, is responsible for the design and implementation of programs and controls that will ensure receipts and disbursements are recorded properly and that financial reports are accurately stated.

As a result, we recommend the Sheriff strengthen internal controls over the recording of receipts and disbursements and financial reporting. Such controls should include accounting for the numerical sequence of issued receipt forms and the reconciliation of the bank statements to the receipts and disbursements ledgers. A review of daily checkout procedures should also be performed. This review should include agreeing the daily checkout sheet to the batched totals of daily receipts, the postings to the receipts ledger, and the bank deposit. By effectively implementing these controls, the Sheriff can significantly reduce the risk of misstatements going undetected.

Sheriff's Response: The official did not respond.

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's Office has a lack of segregation of duties. Due to a limited staff size, the bookkeeper is required to perform multiple tasks such as the collection of cash from customers, daily checkout procedures, deposit preparation, the preparation of checks for disbursements, the bookkeeping function, and monthly bank reconciliations.

Segregation of duties over these functions, or the implementation of compensating controls when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

CRITTENDEN COUNTY
WAYNE AGENT, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:
(Continued)

The Sheriff's Office Lacks Adequate Segregation Of Duties (Continued)

Given the fact that the Sheriff has a limited staff and proper segregation is not achievable without the hiring of additional employees, we recommend the Sheriff implement compensating controls to reduce the risk of misappropriation of assets associated with the lack of segregation of duties. Compensating controls such as strong oversight by the Sheriff or a designee can be an effective alternative when duties cannot be segregated. This oversight should include reviewing daily checkout procedures, monthly bank reconciliations, receipts and disbursements ledgers, and quarterly reports. Documentation, such as the Sheriff or designee's initials or signature, should be provided on those items that have been reviewed.

Sheriff's Response: The official did not respond.

